The NATIONAL UNDERWRITER

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61st Year, No. 1
January 3, 1957

The National Weekly Newspaper of Fire and Casualty Insurance

Suggests Insurers Need More Rate on N.Y. Assigned Risks

Department Examiner Urges Testing of Surcharges, Voices Few Criticisms

Because of excessive loss ratios the New York automobile assigned risk plan should be thoroughly reexamined, Harold Rothbart, New York department examiner, recommends in his report of an examination of the plan which had just been released. The implication is that rates for assigned risks should be more realistic over-all, and Mr. Rothbart calls for analysis of experience by surcharged risk categories to correct inequities in surcharges. He also recommends separation of AR statistics on private passenger and commercial cars.

The report is of more than ordinary interest because of the increased business expected by the plan under compulsory auto, just now becoming effective in the state, and the examination is notable for the sparseness of criticisms and recomendations made by the department.

The New York AR plan started about 15 years ago with less than 200 automobiles; currently it is processing 200,000 cars. This enormous increase has resulted from the general increase in automobile business, the problem of youthful drivers, and the unsatisfactory underwriting experience, according to the report.

The low financial returns and the abundance of automobile business have created in the insurance business a reluctant attitude toward risks that are not considered fully desirable, Mr. Rothbart states. Agents and brokers are not all favorably inclined toward the plan because they consid-

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FTC Examiner Says Bankers L.&C. Ad Charges Not Proved

Loren H. Laughlin, Federal Trade Commission examiner, has issued an order which would dismiss for lack of evidence and public interest charges that Bankers Life & Casualty used false advertising in the sale of A&S. The order is subject to review by FTC.

FTC counsel supported charges of misleading advertising with testimony of seven consumer witnesses who had read the company's advertising. The examiner rules that the over all impression of these witnesses "does not sustain a finding that any of them or the public generally actually could or would be misled or deceived by the advertising."

The testimony of these witnesses not only failed to prove the charges, the examiner said, but also fails to establish that the complaint is in the public interest. He stated that in the last few years the company had issued more than two million policies and there is no proof policyholders were misled. After discussing the testimony of the seven witnesses in great detail, he concludes that the testimony showed either that these witnesses themselves were not misled by the advertisements or that they were prejudiced against the company or the insurance business as a whole.

Commenting on Mr. Laughlin's decision, President John MacArthur of Bankers L.&C. said:

"Naturally, I am always delighted to have any judge find that our company was right. Needless to say, we would never knowingly use misleading or deceptive advertising; in fact, we have always leaned over backwards. I recognize there are always two sides to a story, and had the Federal Trade Commission asked us to eliminate any phrase they felt was confusing we would have gladly deleted it; but when we were publicly accused of false and misleading advertising I thought it was imperative that we demand an immediate hearing, and either be found guilty or vindicated. This latest decision again confirms my faith in our form of government."

Governorship Finally Is Resolved in R. I.

With the reelection of Gov. Roberts confirmed by the Rhode Island supreme court, the assumption is that commissioner Bisson will continue in that post. Mr. Bisson was appointed originally by Sen. Pastore when he was governor. Gov. Roberts is a protege of Sen. Pastore.

In another political development, Thomas J. Meehan, director of the department of business regulation and receiver of Rhode Island Ins. Co., resigned last week to go on the stage. The insurance department is a division of the business regulation unit.

Pryatel Is Cleveland Judge

August Pryatel, the outgoing Ohio insurance superintendent, has been appointed a judge of the Cleveland municipal court to fill a vacancy.

North America Takes New Ky. Homeowner Audit Rule to Court

LOUISVILLE—North America group has brought suit in Franklin county circuit court at Frankfort in the form of a complaint and petition for appeal and review against Commissioner Thurman, in connection with the Kentucky department ruling that all homeowners policies will either have to be audited by Kentucky Inspection Bureau, or that Kentucky would send auditors to the offices of companies refusing to cooperate and there audit their records at the expense of the company involved.

The argument of the North America group is that the department has no authority to delegate the audit to the inspection bureau.

However, Mr. Thurman has held that he does not have the facilities for auditing all homeowners policies, and that companies writing such policies can either send them through the bureau of the department will send in auditors to inspect daily reports at the home offices.

Colo. High Court Upholds Pioneer Mutual Assessment

Colorado supreme court, in a 5 to 1 decision, has upheld the rights of the receiver of Pioneer Mutual Compensation of Albuquerque to assess policyholders in Colorado. The company went broke about two years ago. Most of its policyholders were in Colorado, numbering about 40,000, and the assessment in that state is roughly $2 million, averaging approximately $48 per policyholder.

The supreme court ruling upheld a decision of Denver district court of April, 1955.

Davis Cleveland Speaker

Roy L. Davis, midwest manager of Assn. of Casualty & Surety Companies, will discuss "Compulsory Automobile Insurance" at a luncheon meeting of Insurance Board of Cleveland.

Vigorous Amicus Briefs Filed on FTC Jurisdiction

ALC, LIAA, HIAA Argue for States Rights in American Hospital Case

WASHINGTON—In the first federal court case testing the Federal Trade Commission's claim to jurisdiction over the interstate advertising of insurance companies issuing A&S insurance, American Life Convention and Life Insurance Assn. of America have challenged the commission's assertion of jurisdiction through an amici curiae brief presented jointly by the two associations to the U. S. court of appeals for the fifth circuit.

The case is the result of an FTC order that the American Hospital & Life discontinue the making of certain representations in brochures formerly sent from its home office in San Antonio to its agents in other states in which the company is licensed, for the purpose of soliciting prospective policyholders.

The commission's assertion of jurisdiction in the case is "precluded by the specific language of the McCarran act," the ALC and LIA brief declares. "It flies in the face of the congressional intent as disclosed by the legislative history of the act. It is based on a constitutional premise which disregards both the interpretation given to the McCarran act by the Supreme Court, and the court's interpretation of the commerce clause."

HIAA Files Brief

NEW ORLEANS—Health Insurance Assn. of America has filed a brief in the U. S. court of appeals here asking the court to reverse an order issued by Federal Trade Commission to American Hospital & Life of San Antonio in connection with advertising

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Late News Bulletins . . .

Nuclear Energy Rating Bureau to Organize

An organization meeting of Nuclear Insurance Rating Bureau has been called for Jan. 15 at 2:30 p.m. in the offices of New York Board of Fire Underwriters, 85 John street, New York. Those attending will adopt a constitution and bylaws. Nuclear Insurance Rating Bureau is for insurers of physical damage only on nuclear risks. Membership is open to members of Nuclear Energy Property Insurance Assn. and Mutual Atomic Energy Reinsurance Pool, but provision will be made for other companies to become subscribers.

Cut Near East Cargo Rate in Half

American Cargo War Risk Reinsurance Exchange has reduced the rate on near east cargoes from 50 to 25 cents per $100. British underwriters including Loyds also have cut rates from 10 to five shillings per £100.

Sets Record for 1956 Fire Property Loss

National Fire Protection Assn. estimates 1956 property destroyed by fire at $1¼ billion, compared with $1,140,768,000 in 1955, divided $1,050,000,000 on buildings and contents and $200 million on aircraft, motor vehicles, forests, etc. Comparable 1955 figures were $943,551,000 and $197,217,000. The rise apparently came from the larger dollar values destroyed in individual fires and not from

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Insurance Teachers Give Awards; Change Name of Publication

Elizur Wright awards, made annually by the American Assn. of University Teachers of Insurance, went this year to *Casualty Insurance*, by Dr. C. A. Culp, dean of the Wharton School, University of Pennsylvania, and *Modern Life Insurance*, by Dr. R. I. Mehr, professor of economics, University of Illinois, and Robert W. Osler, vice-president of Rough Notes Co.

The awards, for "outstanding original contribution to insurance literature," were made at the annual meeting of the teachers' group in Cleveland, Dec. 27-29. The award to Mr. Culp was for the third edition of his book, deemed by the award committee to be a revision of sufficient extent to qualify as a new book; while the Mehr-Osler book was labeled "the most outstanding life insurance text available today."

Presentation of the awards was made at the luncheon meeting Dec. 27 by Clayton Hale, Hale & Hale, Cleveland, who contributes the prize money that goes with the citations. Named for the first commissioner of Massachusetts, often called the "father of modern life insurance" for his work in establishing the principles of the legal reserve, non-forfeiture values, and sound insurance regulation, the Elizur Wright award is the only award in the insurance industry listed in the "Blue Book of Awards" of *Who's Who*.

In its business meeting following the luncheon, the association voted to change the name and publication frequency of its *Journal of the American Association of University Teachers of Insurance*. Heretofore an annual, the publication will now be named *The Journal of Insurance* and appear quarterly.

Quarterly publication was made possible by acceptance of the AAUTI of an offer from the College Life of America, Indianapolis, to make good any deficit incurred by the more frequent publication. It was estimated in the meeting that the deficit the first year of quarterly publication will run $6,000. In return for the subsidy, *The Journal* will carry the credit line, "Published with the financial cooperation of the College Life of America."

The business meeting also increased dues to $7.50, of which $4 will be alloted to *The Journal*. Subscription rates for non-members will be $5, with a student subscription rate of $3. *The Journal* will be priced at $1.50 a single copy.

Amalgamation of the American Society of Insurance Research with AAUTI also was announced, a recommendation for such amalgamation having been made to the research group by Dr. R. I. Mehr, president, and its officers. Merger was contingent upon establishment of a research committee by the AAUTI, which was voted at the session.

Also passed after extended discussion was a motion to appoint a special committee to consider the need for and ways and means of expanding graduate fellowships to increase graduate study and research in the fields of insurance. In the report of the subcommittee recommending the motion, the statement was made that perhaps companies contributing to the Huebner Foundation fund, which offers such fellowships at the Wharton school, might wish to increase their contributions to make such fellowships available in other schools.

Dr. Dan McGill, professor of insurance at the University of Pennsylvania and secretary of the Huebner Foundation, declared from the floor that he questioned the propriety of the association seeking funds from the foundation but would welcome "an investigation of our stewardship of the fund."

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Dr. Mehr, who had written the subcommittee report recommending the motion, stated that there had been no thought in the minds of his committee that the association would seek to obtain funds from the foundation but only that a new fund or funds available to graduate students in all schools might be made available. William Beadles, dean, Illinois Wesleyan, secretary of AAUTI, agreed with Dr. Mehr's interpretation, labeling the Huebner Foundation reference as merely explanatory and not an indication that the association would seek funds from it.

As originally made, the motion called for only a "ways and means" investigation. H. C. Graebner, dean of the American College, proposed an amendment inserting the "need for" investigation. Dr. Mehr reported he had no objection to the amendment "inasmuch as any such investigation will find that a great need for expanded fellowships exists."

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Upon passage of the amendment and the recorded statement of Hampton Irwin, professor of insurance, Wayne university, president of the association, that the committee established by the motion would have no authority to review activities of the Huebner Foundation, Dr. Culp, Wharton School dean, asked to withdraw Dr. McGill's remarks, and the amended motion passed.

The executive committee of the association endorsed a plan of regional "chapters," the organization of such chapters to be up to any region so desiring but subject to the approval of the executive committee.

AAUTI, with attendance of approximately 150, met in conjunction with the Joint Allied Social Service associations. Total attendance at the joint meetings was estimated at 4,000.

Shepard Elected V-P of Fire Assn. Group

Raymond G. Shepard, secretary and manager of the New York office of Fire Association, has been elected vice-president of the group.

Mr. Shepard entered insurance in 1930, joining Fire Association in 1941. He was named marine superintendent of agencies in 1947 and elected secretary in 1950.

$700,000 Loss in Pa. Plane Crash

The industrial aid plane of Youngstown Sheet & Tube Co. which crashed at New Castle, Pa., killing the pilot and one other person was worth $400,000 plus. Associated Aviation Underwriters insured the hull and had $50,000 coverage on each of the two crewmen. Continental Casualty had $100,000 each on the two who were killed.

Allstate will lease a 35,000 square foot building to be constructed in a suburb of Roanoke, Va., for its Roanoke regional office.

Cal. Brush Fires to Run $700,000 in Insurance Loss

LOS ANGELES—Insurance loss from the four days of disastrous fires in Los Angeles and Ventura counties has been estimated at $700,000, or about 1% of the total $700 million destruction.

General Adjustment Bureau put its disaster program into action at the outbreak of the brush fires and had senior adjusters from many branches join in the work of fire fighting. GAB estimates approximately 85 homes were destroyed and another 55 were damaged. There were many houses sustaining only minor smoke damage.

The total damage figure of $700 million includes loss to the watershed and coverage of trees and brush in the 40,000 acres of land that were swept by fire.

Earl Gibbs Retires From Western Post of Boston, Old Colony

LANSING—Earl Gibbs, veteran western department manager and vice-president of Boston and Old Colony, retired as of Jan. 1. The western department offices during the past year have been decentralized, reducing jurisdiction of the Lansing office to Michigan, Indiana and Illinois outside the Chicago area. Formerly the Lansing office for many years was the sole policy-writing office for the western territory.

Earl Gibbs

Mr. Gibbs joined the companies in the early twenties, first as state agent in Ohio and shortly thereafter being transferred to Lansing where he became automobile division manager in 1929, assistant manager in 1934, and manager in 1941 to succeed B. L. Hewett Sr., who died in that year. He was elevated to vice-president in 1943. His earliest insurance experience was with the T. E. Braniff general agency in Oklahoma City.

W. S. Cameron, who was named manager of the regional office here in October, continues as the chief executive officer at Lansing.

Hal Arnason Jr. has been named to the board of trustees of Washington Assn. of Insurance Agents, succeeding Orville Garrett as the Bellingham association representative. Mr. Garrett is currently serving as regional vice-president of the state association.

Results Continue to Deteriorate for Reinsurance on the Continent

By L. TYTENS

Mr. Tyten's article was intended to appear last week as part of THE NATIONAL UNDERWRITER'S *Reinsurance Review, but had to be held over because of lack of space.*

Any estimate of the outcome of 1956 operations in this part of the world can only be guesswork since over here companies do not issue official statements in the course of the year. However, conversations at top level permit a fairly accurate estimate.

Another thing not to be overlooked is that through coinsurance in fire business any catastrophic loss may have a worldwide spread through direct underwriting and will not necessarily deteriorate to any considerable extent the reinsurance results.

If we admit that fire business forms the backbone of continental, and even of British offices, we shall have to realize that hard times are ahead. One will be tempted to say of course that this may be merely a temporary setback. At Monte Carlo last September it was rumored that fire reinsurance treaties were fast deteriorating. This is not surprising. Competition between direct underwriters, together with wider cover, lower rates and enhanced commitments, coupled with competition between reinsurers, should ultimately reduce over-all profits. With this goes a much larger number of losses. An official of a company adhering to very conservative underwriting principles told me that the amount of claims recorded in the first six months of this year was twice as much as in the corresponding period of 1955. He added: "Mind you, all losses recorded are normal." This state of affairs is reflected in reports issued by the two leading European reinsurers.

Swiss Re declares: "In fire business, our main section of business, we have not been hit by any special claims; results of treaties do not compare with one another, however, contrary to our experience of recent years."

Munchener Ruck says (report relating to business on June 30): "In fire insurance the enhanced claims experience of the first part of the year by all companies operating in Germany has not been maintained and the final run-off is satisfactory. The over-all result of our foreign business leaves a profit and so did it in the preceding years."

This may not be the full story, however, since there is a special paragraph dealing with "storm damage guarantee" and "holiday (rain) insurance." It is well known that many fire treaties can be obtained only with the inclusion of storm damage guarantee. These comments are about as follows: "In the course of preceding years results were satisfactory. Happenings giving rise to claims have increased both in frequency and in intensity; in 1949 we experienced an important loss on our German business. This was repeated in 1954 (there were that year four different separate happenings). A similar increase in importance and in frequency of losses is observed in North America. Whether this results from a permanent deterioration of climatic conditions only the future can tell. As a result there is an increased demand for that class of guarantee with a resultant increased danger of catastrophic losses."

One may wonder what fraction of the adverse experience in storm damage guarantee should be deducted from the profitable result of the fire account, since apparently loss on storm damage guarantee is included in the casualty account.

Anyhow, this shows that it is inappropriate to incorporate in normal fire insurance business guarantees of risks over which there cannot be any human control and to which in any country only a fraction of the belongings are exposed.

RETENTIONS ARE RISING

Since the reasons for the downgrading of results on fire reinsurance are manifold, I should like to dwell a little while on one particular aspect, the tendency of ceding companies to raise their net retentions.

Based on what I learned many, many years ago, I have more than once already expressed the opinion that any normal fire account (and as a matter of fact any sound insurance account) could run a loss exposure, any one happening, of 25% of the annual premium income on an altogether first class risk. If we apply this principle to marine underwriting, any sound account could run a loss hazard on a risk of the kind of the *Andrea Doria* of 25% of the annual premium volume on the principle that the ratio of occurrence of target losses is maximum once in five years and that any account should tabulate a catastrophic loss contingency of 5% of the premium income.

If we now revert to fire reinsurance in particular and ask ourselves: What is normally the maximum loss hazard on a net retained fire account? We should have to admit that mainly when it concerns a worldwide ac-

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State Regulation of Advertising Is Within Police Power: Kimble

Questions dealing with three basic aspects of the constitutional powers of the states to regulate the advertising of insurance companies were discussed by Kenneth L. Kimble, assistant general counsel of Life Insurance Assn. of America, in a study presented at the winter meeting of Assn. of Life Insurance Counsel at New York.

Mr. Kimble pointed out that a Federal Trade Commission 3-to-2 opinion asserting that only the commission has jurisdiction over all interstate insurance advertising, regardless of state regulation, is being tested in federal courts and will be settled there.

However, he said, apart from the many broad issues involved in these court cases, careful examination of basic constitutional questions concerning the powers of the states indicates they have authority to regulate inter-state advertising directed to their citizens, probably have the constitutional power to regulate the out-of-state advertising of domestic companies, and also have the power to adopt legislation regulating advertisements directed to their citizens by companies not licensed under their laws as well as that of the companies they do license.

Regarding the first of these issues, Mr. Kimble said that careful consideration of constitutional law shows state regulation of interstate advertising comes within the state's police power and is not violative of due process. Nor is the state power to regulate interstate advertising limited by the commerce clause.

Second, he said, examination of constitutional law indicates that the states probably have power to regulate interstate advertising of domestic companies. The interest of the states which gives rise to this power is not based on the protection of those who receive such advertisements, since a state has no right or duty to protect the citizens of other states, but lies instead in the protection of the well being of its own corporations, which contribute to the prosperity of the state and provide revenue for the state.

Regarding the third issue—a state's constitutional power to adopt legislation regulating advertising of companies it does not license as well as those it does—Mr. Kimble said there is ample precedent to demonstrate that a state could also validly provide by statute for substituted service of process on an unlicensed company violating such a statute.

"The problem here comes in securing enforcement of any judgment rendered against such a company," he said. "If the statute provided for enforcement by means of civil penalty proceedings, there seems to be at least a reasonable chance that the domiciliary state of the unlicensed company would be required to give full faith and credit to the judgment for money penalties."

General Re Names Dunbar Comptroller

William A. Dunbar has been named comptroller of General Re. He has been with the company since 1929. Previously, he was an assistant treasurer.

New Orleans Exchange Nominates Officers

New Orleans Insurance Exchange has nominated the following officers for 1957: John A. Barry for president, George Tessier for vice-president, Herman Katten for secretary, Charles L. Rittenberg for treasurer, and Thomas Q. Winkler, James E. Hassinger Jr., Louis M. Bodenheimer, and C. Eldon Powell for executive committeemen.

New GAB Directors

Five new directors have been elected to the board of General Adjustment Bureau, John R. Barry of Corroon & Reynolds, Percy Chubb II of Chubb & Son, R. G. Horr of Agricultural, John Newlands of Scottish Union, and William B. Rearden of Firemen's.

Argonaut Group Names Woolery and Teecher

Argonaut group of California has promoted Bruce A. Woolery to the newly created position of vice president in charge of production and Belmont H. Teecher to southern division manager.


B. H. Teecher


B. A. Woolery

Mr. Woolery, who will make his headquarters in the home office at Menlo Park, joined the company in 1950 as southern division production manager. He later was appointed resident vice-president in charge of the southern division at Los Angeles.

Mr. Teecher has been southern division underwriting manager. He is a past president of Casualty Underwriters Club of Los Angeles.

Aetna Fire Promotes Gove in Mass. Field

Aetna Fire has promoted Lealand H. Gove from special agent to state agent in Boston. He started with the company as a casualty field man in 1926 at Boston.

To Give Audit Course in Afternoons

Insurance Society of New York will offer its casualty payroll audit course during the spring semester one afternoon a week instead of two weekly evening sessions as in the past. The 20-week course will begin Feb. 4. Registrations will be accepted until Feb. 1. A survey of audit superintendents disclosed that the afternoon hours were more feasible than the evening sessions.

Garner to Run Western Departmnt of Pacific National

George H. Garner, vice-president, has been named administrative head of the western department of Pacific National group succeeding Geoffrey L. Hubbard, vice-president, who has been assigned to special duties in the midwestern territory for Paramount Fire.

Mr. Garner joined the group as a vice-president in 1943 and was named assistant manager of the western division in 1952. He was appointed vice-president and manager of the western division recently.

Mr. Hubbard joined North America in 1912 and after field experience went with Bartholomay-Darling Co. agency of Chicago as fire department manager in 1924. He was with National Union for four years as Michigan state agent, then for 12 years was Illinois state agent for Boston and Old Colony. He joined Pacific National in 1947 as Texas state agent, and in 1951 was named to an executive position in the western department. He became vice-president and western manager in 1953.

American Casualty Opens Seattle Branch Office

American Casualty has opened a branch office at 869 Dexter Horton building, Seattle. Jack H. Hipple, former state agent for National of Hartford group at Seattle, is manager.

Mr. Hipple is currently serving as president of Casualty Insurance Assn. of Washington.

Condon, Holmgren Get Higher Posts in Security-Conn.

David T. Condon has been named a vice-president of Security-Connecticut companies and Neal F. Holmgren secretary. Both men will continue to supervise the activities of the companies in New England.

Mr. Condon began with Security-Connecticut in 1921 and served as a fire underwriter, manager of the automobile department and assistant secretary and secretary in charge of the New England division.

Mr. Holmgren entered the business in 1938 with Aetna Fire and joined Security-Connecticut in 1950 as a special agent in the inland marine department. He was elected assistant secretary in 1954.

Plitt Heads N. Y. Trade Board's Insurance Unit

W. Irving Plitt, vice-president of Atlantic Mutual, is the new executive committee chairman of the insurance section of New York Board of Trade, succeeding Rodney E. Piersol, vice-president of Alexander & Alexander. Charles W. B. Meares, personnel vice-president of New York Life, was elected vice-chairman.

Others elected to the executive committee are Albert B. Morrison of Continental Assurance, Carl E. McDowell of New York Board, and Benjamin Gates of Hartford Accident.

American Mutual Liability has appointed Henry R. Sotter district special risk manager and Kyran A. Colahan, Jr. district sales manager at Philadelphia.

Flood Indemnity Scheduled for Spring

The federal flood indemnity program is scheduled to start late next spring, Frank J. Meistrell, head of the federal Flood Indemnity Administration, told 75 representatives from northeastern states at a conference on floods and disasters in New York City. State representatives asked for a voice in developing regulations under the flood program, and indicated some dissatisfaction with the basic act and with the delay in putting it into effect. The conference authorized a committee to work with the national committee established by the council of state governments, to get state views reflected in the development and administration of the indemnity program.

Mr. Meistrell pointed out that the act provides for three basic programs—issuance of direct insurance on property for loss due to flood; reinsurance by accepting a risk assumed by another insurer, and a loan contract program which can be tied in with insurance.

He said that government had decided to put aside the reinsurance program for the moment. He anticipates that the direct insurance program will operate in this way: The policies will be issued by insurers, which will be authorized to act as fiduciary agents of the indemnity administration. Agents and brokers will be authorized to receive applications, collect premiums, and service the policies. The regular insurance claim adjustment organizations will be used as far as possible to settle claims and adjust losses.

The policies will have limits of $10,000 per dwelling unit and $250,000 per person or corporation, Mr. Meistrell said. The indemnity will cover commercial, industrial and residential property, real and personal. A one-year policy providing a reasonable inception waiting period is presently being considered. It will be noncancellable and the premium will be payable in advance. This is to prevent a land-office business when the storm warnings go up, and cancelling and refunding after the storm has passed.

State action may be required in three broad areas for participation in the program, Mr. Meistrell pointed out.

First, the states may want to buy indemnity for flood damage on state owned property. The limit of $250,000 may be purchased by the state itself, by each of the county and local governments, and by each of its agencies. That is not a great deal of coverage, Mr. Meistrell admitted, but the indemnity was designed primarily to protect the small businessman and the homeowner of modest means. After experience has been accumulated, perhaps Congress will consider changing limits.

The state will purchase the policy from the federal government and provide funds for the payment of premiums. States may also need to enact legislation authorizing counties, municipalities, and other public bodies in the state to obtain such insurance, he added.

A second area for state action is in flood plain zoning. After June 30, 1958, the commissioner is authorized to require that a public body enact and keep in effect flood zoning restrictions in areas where it seems necessary to have such restrictions. No flood insurance will be sold in areas that do not meet such requirements after June 30, 1958.

States must also contribute to the subsidy. They have a real "stake" in the effectiveness of the program and, accordingly, should bear some portion of the cost, he said. When serious floods occur, there is a loss of tax revenue to the states, frequently widespread unemployment, loss of wages, loss of profit, loss of the use and occupancy of business properties, loss of profit from unfulfilled contracts, and payment of relief contributions from state funds.

Because state laws may have to be changed, Congress deferred state participation until June, 1959. At that time, the indemnity will not be available unless states have adopted legislation empowering them to contribute equally with the federal goverment to the subsidized portion of the premium, Mr. Meistrell said.

There is no loading in rate for administrative and operating expenses—simply a pure premium. Accordingly, the act provides for development of a pure premium and provision of a subsidy in order to make policies marketable.

To the pure premium the federal government contributes a maximum of 40% as subsidy. The buyer of indemnity will pay a minimum of 60 cents, and the federal government a maximum of 40 cents. The state's share of the subsidy will be a maximum of 20% of the premiums paid for coverage of property in that state, or half the subsidy portion.

This may be a major problem in many states whose governments are prevented from using public funds for private purposes. Where such limitations exist, the state may have to amend its constitution. It has till June 30, 1959, to do so, he said.

He said he hoped a rate making pattern will evolve that will be simple, understandable and equitable. The private insurance business has pledged its full cooperation and the full use of its facilities and services. There have been similar pledges from agents and brokers and from the claim adjustment organizations.

Howard Elected President by Minnesota CPCUs

Frank Howard, Associated Reciprocals, was elected president of Minnesota chapter of CPCU at the monthly meeting.

Other officers elected are: Eino Krapu, Northern States, vice-president; John Jamieson, Anchor Casualty, secretary; and Joseph Joyce, American Hardware Mutual, treasurer.

Richard Williams of Anchor Casualty and formerly president of Central Standard was the guest speaker, discussing pitfalls facing small insurance companies.

Francis J. Cain of **Burlington, Vt.**, past president of Burlington City Assn. of Insurance Agents, has opened an agency there. He entered insurance in 1946 with the Peterson-Rowlands agency, Burlington.

Hartford Steam Boiler Names Five

Hartford Steam Boiler has advanced James M. Thompson and Robert W. Wolfe Jr. to assistant managers at Chicago and New York, respectively, and has appointed Howard W. Bornholm personnel manager at the home office, Henry D. Peterson supervising special agent at Philadelphia, Ralph B. Payton Chicago office supervisor and Holton H. Yarnall Cleveland underwriting supervisor.

Mr. Thompson joined the company in 1940 and later worked as an underwriter in New York. Subsequently he was office supervisor in Detroit and Chicago.

Mr. Wolf joined the company as a special agent in New York in 1949. He was appointed supervising special agent there a year ago.

Mr. Bornholm joins the company from private industry.

Mr. Peterson, who started with the company in 1937, has been special agent in South Carolina.

Mr. Payton, with the company since 1950, was office supervisor at Cleveland.

Mr. Yarnall went to the company in 1946 and has been an underwriter at Philadelphia.

Baltimore C&S Club Names Buckler, Wright

Casualty & Surety Club of Baltimore has elected Donald L. Buckler of Fidelity & Deposit president, Robert A. Wright of Maryland Casualty vice-president, R. Glover Bauer Jr. of U.S.F.&G. secretary, and C. M. Snyder of New Amsterdam Casualty treasurer.

The club also elected as directors William D. Bollinger of Fidelity & Deposit, J. Osborne Layne of Maryland Casualty, Henry F. Kruelle of U.S.-F.&G., and Earl Davault of New Amsterdam Casualty.

F.&D. Increases Size of Quarterly Dividend

Fidelity & Deposit has declared an increased quarterly dividend of $1 a share payable Jan. 31 to stockholders of record Jan. 15. This has the effect of placing the company's stock on a $4 annual basis, compared with the previous annual rate of $3.60.

Boston Opens New Regional in N. J.

Boston has created a new multiple-line region with headquarters at 75 Halsted street, East Orange, N. J. Service functions formerly performed by the Newark office will in the future be handled from the new regional office.

Carl Fry has been appointed regional manager and will supervise New Jersey and the New York suburban area through the Mineola, L. I., branch. He joined the Boston group in 1948 as special agent and was later promoted to state agent supervising northern New Jersey. Recently he has been fire manager of the Boston's New York office.

Phoenix-Conn. Names Duke to Auto Post

Phoenix of Hartford has promoted Walter W. Duke to automobile superintendent at the Cook county (Ill.) department to succeed Wilbur B. Sibley who has retired after 35 years with the company.

Mr. Duke, who joined the company in 1946, will supervise the recently-merged physical damage and casualty auto departments.

E. R. Haffner to Manage Wash. Underwriters Bureau

Management of Underwriters Bureau of Washington has been transferred to E. R. Haffner, who is also manager of Washington automobile assigned risk plan. Offices of the bureau will be shifted in January to the quarters of the assigned risk plan in Seattle; Coza Hite will continue as bureau supervisor.

At its December meeting, the bureau elected Robert Wade, General of Seattle, president to succeed Raymond E. Anderson, who was named a trustee. Carl B. Birkenmeyer, United Pacific, is vice-president, and Mr. Haffner secretary-treasurer. Other trustees elected are M. M. Tompkins, Fireman's Fund, and J. W. Gowdy, Northwestern Mutual.

Thirty-five **United Fire & Casualty** agents attended the annual week-long agents' school at Cedar Rapids, Ia., to study comprehensive courses covering all fire and casualty lines.

Offers Plan to Let Producers Get What Can from Insured

NEW YORK—Brokers have taken note of a proposal made in connection with the hearings being conducted by the insurance department on the adequacy of North America's dwelling fire rates. *The Friday Flash* of National Assn. of Insurance Brokers calls attention to the fact that a New York Fire Insurance Rating Organization representative had given to the press a copy of the proposal, which was in a memorandum handed to Superintendent Leffert Holz.

The gist of the proposal is that approval by the New York and other departments, including North Carolina and District of Columbia, of rate deviations based on and justified by commission differentials substantially establishes a new rate making pattern. The memorandum suggests that in approving such deviations, the state supervisory authority establishes what the average rate of commissions is for all companies, accepts the rate of commission to be paid by the deviating companies and allows a reduction in rates that practically covers the difference in the commission costs.

The proposal was that in order to maintain the competitive position of members of NYFIRO, the New York department should accept a filing to follow exactly the same pattern. This would provide that any company using NYFIRO rates might reduce rates to insured by the same amount as the commission to the producer is reduced below the average of commissions paid by all companies. Thus if the broker or agent is willing to accept 10% the company will be required to adjust the rate to insured by the 15% given up by the producer.

This would, according to the proposal, correct a deficiency in the North America and Allstate filings because it would require the company to pass any savings in commissions or brokerage on to insured, whereas that is not necessarily the case where the deviations have been granted.

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Under this interpretation there would be no competition between companies, which would get the same net amount to pay losses and other expenses, but brokers and agents would be facing tough competition because insured could get different rates, depending upon the whims of different brokers.

National Assn. of Insurance Brokers states that it is not its understanding that where the deviations have been allowed, the commissioners have failed to inquire into expense factors other than commissions. However, it is the opinion of the brokers that it would be improper to approve a deviation, especially where only one class of risk is involved, as in the North America hearing, without looking into other rate making factors.

"Sooner or later," the brokers state, "the courts will be asked to decide whether a commissioner can approve a rate where the sole differential in expense is based on commission and thereby regulate commissions indirectly, although he is not authorized by law to do so directly."

S. C. Producers Fight Ambulance Chasers

Charleston (S.C.) Board has joined forces with Charleston County Bar Assn. and South Carolina Medical Society to eradicate unethical legal and medical practices in connection with collision damage suits in courts there.

The agents pledged support to the city and legal and medical groups in efforts to improve conditions and to lower the high claims record. The action came as the result of charges by a state legislator that lawyers were soliciting accident victims and that some doctors had been in collusion with the lawyers in giving false testimony to increase the size of claims.

Aetna Fire Names Investment Manager

Arthur W. Frank Jr. has been appointed manager of the investment department of Aetna Fire group, under the general supervision of David A. Solly Jr., treasurer, and William G. Bates, financial secretary and assistant treasurer.

Asks State Rule of Insurance Sales on Military Posts

Federal legislation requiring agents and companies selling insurance on military installations to be licensed in the state where the military base is located has been proposed by Commissioner Gold of North Carolina.

Mr. Gold made his proposal to North Carolina senators and members of the house and asked their support.

The situation in North Carolina is good with the exception of one base, the army post at Fort Bragg, where, he said, it is still possible for unlicensed agents and companies to write business.

Auto liability is the principal coverage involved, Mr. Gold said. Some of the policies sold fail to comply with North Carolina's financial responsibility law. Some of the companies are unable to pay claims.

He told his state's congressmen that service men are not properly protected, the public is improperly protected, and North Carolina is unable to collect a premium tax on the coverage sold through unlicensed agents.

This past year, he said, his department has been cracking down on unlicensed sales and has succeeded in convicting several agents who moved their operations just off military bases after a new Defense Department regulation curtailed their activities.

Eckmann Advanced by Atlantic Group in N. C.

Atlantic companies have appointed Harold A. Eckmann manager at Charlotte, N. C. He joined the group in 1949 as a special agent in New Jersey and transferred to Charlotte in 1953 where he became fire supervisor in 1955.

Dorris Made a Director

Directors of Hanover Fire and Fulton have elected James L. Dorris, vice-president, a director of both companies.

Background of Case on Parent's Liability for Child's Mischief

With agitation going on in a number of states for legislation making parents responsible for vandalism damage by their children, there is much interest in the California case of Arenson vs National Automobile & Casualty, which held that the comprehensive personal liability policy covers such liability of a parent. In THE NATIONAL UNDERWRITER of Nov. 29, there was a reference to the California court of appeals decision, which was in favor of the insurance company. However, that holding was reversed by the California supreme court in August, 1955. The supreme court decision, holding for coverage, is reported in 8 CCH (Fire & Casualty) 780, and also in 286 Pac. (2nd) 816.

The basis of liability of the parent was sec. 16074 of the California education code, which provides "any pupil who willfully cuts, defaces or otherwise injures in any way property ... belonging to a school district is liable to suspension or expulsion and the parent or guardian shall be liable for all damages so caused by the pupil." The insured's son started a fire in a school in Los Angeles and the insured was held liable under this statute. The insurance company denied coverage under the exclusion in the comprehensive personal liability policy of damage caused intentionally by or at the direction of the insured and also under sec. 533 of the California insurance code, which states "An insurer is not liable for a loss caused by the willful act of the insured." The basis of the supreme court holding in favor of coverage was that the parent was the "insured" in this case and he, though liable, had not done the willful act. Had the claim been against the son, he would have had no personal coverage under the policy.

Ordinarily, a parent is not liable for willful unauthorized acts of his children, so the California school law set up a special situation which does not occur in most states. A few other states have adopted similar legislation, sometimes with a money limit on the parents' liability. State educational associations have backed similar laws in other states, so insurance men will probably be asked about coverage during the coming legislative season. The Arenson case establishes coverage, but it applies only where the parent is legally liable. The physical damage to property endorsement, which covers damage regardless of liability up to $250, would make no difference in the majority of cases of this type, since the National Bureau of Casualty Underwriters form excludes loss caused intentionally by an insured who is more than 12 years old.

Research Council Completes Survey on Absenteeism

Research Council for Economic Security has published the final report on its nationwide survey of prolonged illness absenteeism. It covers non-occupational illness among employed persons and has been four years in preparation, covering nearly 200,000 man-years in 145 reporting units. The survey analyzes 6,201 individual cases lasting more than four consecutive weeks.

The final report presents 100 tables offering detailed data such as rates of absence, severity, medical care costs, wage loss and the extent to which employe benefit plans meet expenses. It includes analyses of the principal causative factors broken down by age, sex and occupation. Such other influences as industry, size of establishment, geographical location, types if disabilities are included.

The council made the study to provide information and necessary to deal with the problems of prolonged illness. It gives data for development of protection programs, treatment, rehabilitation and meeting medical and wage loss expenses.

The survey can be obtained from Research Council for Economic Security, 111 West Jackson boulevard, Chicago 4, Ill.

Success Rules Are Described by Aetna Casualty Graduates

Two Connecticut brothers who operate agencies provided dual recipes for insurance selling and service at the graduation dinner concluding the 159th session of Aetna Casualty's sales course.

William and Edward Miller related the factors contributing to their progress since they were graduated from the Aetna Casualty school. They run agencies at Ansonia and Shelton, Conn.

Edward Miller is with the J. H. Bartholomew agency at Ansonia. He said the three major problems looming for new agents are working capital, experience, and the capacity for hard work. Adequate capital was provided by re-investing nearly all earnings in their agencies, he stated, while the assistance of Aetna Casualty field men and knowledge gained from the sales course more than compensated for their inexperience. The demonstration of insurance know-how coupled with a willingness to work continue to be important in building up the confidence of clients and associates, he concluded.

William Miller, local agent at Shelton, urged the new graduates constantly to develop centers of influence among present and new customers who may be instrumental in making future sales contacts. He also pointed out advantages to both the community and the agent through participation in civic organizations.

The class was led by William L. Laird of East Hartford, Conn. Blue ribbons for high scholastic standing went also to Sloan R. Gill of Atlanta, and Dennis N. Hevener Jr. of Washington, D.C. Gold ribbons for demonstrating outstanding soliciting techniques were awarded to Messrs. Laird and Gill, Howard K. Hansen of Dumont, N.J., Robert A. Snow of New Britain, Conn., Dale F. Schaper of Wichita, Leon T. Peahl Jr. of Taft, Cal., and Theodore D. Galas of Chicago.

H. G. Reinhackel & Son, general agents at Austin, Tex., will open an office in Lubbock under Donald Reinhackel. The office will be located in the Lubbock National Bank building and will serve west and northwest Texas.

S. C. Considers Many Proposed Changes in Insurance Laws

The joint legislative committee in South Carolina which has been studying the insurance laws of that state has under consideration 17 proposals, new bills or amendments, which are being considered in public hearings. Sen. Baskin of Bishopville is chairman of the committee.

Among proposals are ones to regulate investments of domestic insurers; require thorough examination of domestic insurers by the department every three years, or whenever the commissioner deems it prudent to do so; and boost capital requirements to $100,000 and surplus to $100,000 for stock insurers, and surplus to $200,000 for mutual insurers. Mutuals would have to maintain $100,000 at all times.

Other proposals are to require written approval of the commissioner before a charter is granted an insurer by the secretary of state; to regulate sale or transfer of stock of insurers; to provide for more uniformity and stability in fire and casualty rates; to provide uniform classifications for automobile insurance; to provide for uniform rates on assigned auto risks; and to require written examinations of certain agents and eliminate the present exemption of agents for certain types of insurance from the examination requirement.

Adjusters, presently licensed, would be required to pass a written examination, and the examination fee would be increased from $10 to $25. Licensing of certain qualified non-resident agents, brokers and adjusters under reciprocal arrangements between the South Carolina and other insurance departments would be permitted.

Accountants to Honor Smith

Insurance Accountants Assn. will honor Everard P. Smith, retiring U.S. manager of Norwich Union Fire, at a dinner Jan. 17 in Hotel New Yorker, New York. Mr. Smith, who will retire from the company at year's end, is a past president of the association and a long-time member of its executive committee.

Birmingham Fire has changed its name to Birmingham Fire & Casualty.

Continental Reinsurance Experience

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count, for example fire accounts of British composite offices, the maximum loss hazard is seldom as much 1% in any one happening. This results in:

1. A volume of premiums ceded under the first surplus treaties which may very well represent in many cases much more than 25% of the gross account.

2. Submitting the first surplus treaty to a maximum loss hazard of 2% compared with the premiums applied under the treaty, and in many cases much less.

As a matter of consequence, practically every surplus fire reinsurance treaty can stand on its own legs over a number of years. Any adverse result would not exceed 10% of any one year's premium income, and this seldom occurs.

Since United States business is excluded from British home and world wide treaties, results can hardly be deteriorated through the inclusion of extended coverage. They will only feel the effect of a general worsening of insurance conditions. As a result British offices are gradually increasing their net retentions, but they are very careful not to deteriorate altogether their treaty business. They have very sound commercial reasons for that.

We all know, over here at any rate, that if fire insurance business is in general the backbone of any sound underwriting account, balanced first surplus treaties are the mainstay of any reinsurance account. Professional reinsurers look askance at other than first surplus, well-balanced treaties. It does not follow therefrom that they do not accept them. However, we find that sound first surplus treaties, while being gradually downgraded, are more and more diverted to other channels.

British offices have, I suspect, since they started operating abroad, acted as reinsurers to local offices. Some of those reinsurance relations are more than a century old, and some of them were reciprocal from inception. Gradually, however, practically all ceding companies have asked for reciprocity. Thus balanced first surplus treaties of British offices, and to a lesser degree of other nationals, serve to develop their business abroad. Not only do they serve that purpose, but in these times of excessive nationalist tendencies they are very useful in maintaining or establishing relations in countries where without this asset of first class surplus treaties it would be almost impossible to maintain or to make a foothold. Of course, a proportion of this incoming reinsurance business will be as unbalanced as any general agency account.

British composite offices may play a very important role as reinsurers in the international market. No means whatsoever exist to assess with any degree of accuracy the importance of this business, but the following may be used as a guide. Official returns issued by the French insurance control organization show that leading French companies reap a reciprocity of about 30% of their total premium income. A number of leading British offices total together a net fire premium income of about £200 million. Since British offices are intensely committed in reinsurance operations, if we applied the 30% figure, we should find that British premiums derived from reinsurance operations would be about £60 million. Consequently, for some time to come British fire treaty business is bound to be worthwhile to the books of any reinsurers.

These considerations cover only a very small section of British reinsurance activities. To go further, there is a group of eight British professional reinsurers, four of which have very close foreign connections. The leading company, as far as premium income is concerned, has directors connected with Swiss Re. Leaving out the smaller companies, whose total premiums are below £1.5 million, we find that the leading group of five companies had a total premium income in fire and casualty in 1955 of £12,581,824 with an average profit ratio of 2.4. In 1954 the same companies had a total premium income of £12,854,866 with an average profit ratio of 5.43. Marine business amounts to only about 10% of total fire and casualty premiums, and in some instances it is obtained through direct underwriting.

Hurricane losses in the U.S. may have contributed to the deteriorated result in fire and casualty (separate figures are not supplied). However, deterioration of results is a common denominator, and if I mention hurricane losses, I should also mention possible adverse results on all classes of liability business, including third party motor car risks. Casualty business forms a large proportion of the total premium income of those professional reinsurers.

FACULTATIVE REINSURANCE

But in addition to all that, London is an important market for facultative reinsurances of all kinds and for unorthodox reinsurance treaties. Lloyds leads in those two latter classes of reinsurance. Companies share in this, including foreign companies represented in London. The foreign companies would have a relatively small share of direct business, not forgetting that many foreign companies have a London representative for the sole purpose of handling treaty business.

Many of the smaller British companies cater to facultative reinsurance, not forgetting that leading offices all have their "home foreign department." This enables them to share in foreign business handled in London either direct or by way of facultative reinsurance when conditions and rates comply with tariff agreements to which they adhere abroad.

Facultative reinsurances are much more resorted to than sound insurance practice would warrant. This tendency is enhanced by nationalism of all kinds, and the case of the *Andrea Dorea* illustrates this vividly—80% of value at risk was placed in the Italian market. However, only 20% was retained and 60% was placed by way of facultative reinsurance in London. Another 10% was placed direct in London and another 10% in U.S.A. This in my opinion is unsound. On the basis of the insurance policy, the direct insurers are solely liable to in-

sured, whether or not the facultative reinsurers have paid their share in the loss. In certain countries legislation allows, in principle at any rate, a direct recourse against the reinsurers, but I doubt that this would meet with success before British courts. This would be true in many other countries.

Sound underwriting technique implies holding commitments within financial assets because we may be nearing a period when these massive reinsurances will result in a loss with corresponding difficulties for the direct underwriters to collect from their reinsurers. One need not be over-pessimistic, but I believe in "not taking bigger" bite than I can swallow.

This is where the London market, and other markets where insurance is transacted in a "bourse" (Lloyds being nothing but that) has a big advantage in spreading risks. Take, as an example, what happens at the Antwerp bourse. Every afternoon brokers and underwriters meet on the floor. In a general way a broker will have agreed in advance with his leading underwriter on terms and conditions of the insurance he has to place. When he meets the other underwriters early in the afternoon, on a normal risk he needs only a matter of minutes to find 100% cover for all the risks he has to handle that day. As a matter of fact the meeting lasts only about an hour and in the course of that short space of time all the brokers will have obtained complete cover for all the business they had to handle. This is done by a mere initial on the slip by each underwriter involved.

This method of spreading the risk does away with facultative reinsurance to a very large extent.

Restrictions on operations of foreign companies in certain countries goes together with controls. Such controls imply a supervision of reinsurance activities. Where that applies, reinsurers have to be agreed and must deposit full technical reserves. International reinsurance would collapse if technical reinsurance reserves had to be deposited in full in every country. Therefore they will submit to those controls only if it is worth while; in other words, when they are fairly certain to make a profit over a number of years. If reinsurers must make a profit over a number of years, one thing about it: This security is not needed. But since ceding companies nevertheless think that they need that security, they must make it quite certain that the "controlled" business shall be profitable, and this is how we come back again to reinsurance facilities offered by the London market, mainly.

We reach this extraordinary position, that profitable business is controlled with a fair certainty of reinsurers being able to meet their liabilities, whereas the really dangerous and unbalanced portion of the risks must, in order to preserve the quality of the controlled business, be placed with non-authorized reinsurers; in other words, with reinsurers that do not contemplate submitting their transactions to those legal controls.

Many excess and stop loss treaties, mainly in liability business, are taken out to protect the underlying reinsurances. Often these reinsurances are taken out by the ceding company for its own account, and thus the controlled treaty reinsurers are relieved of that catastrophic part of the risk. Should the ceding company be unable to recover claims under the excess or stop loss treaty, it would have to bear the loss itself.

There is a growing competition for this class of treaty. Many continental companies either accept them in London, following a British lead (Lloyds or companies), or in direct negotiations with the ceding companies. In addition it has been stated in the press that Jaroslav Tuma is going to underwrite that class of business for an Italian group of companies. His ideas concerning mathematical rating have received wide publicity. I admit that I do not have the mathematical mind to understand it. When I have to find a rate of premium, I do some quick mental calculations, based on previous all around experience, and with judgment, or flair, and without relying on luck, which may be an ultimately important factor; however, I may succeed in writing a successful account on any class of risks.

Since there is apparently an all around world wide worsening of results, there is perhaps a big future in unorthodox treaty underwriting.

RESULTS IN FRANCE

Let us see from figures and facts gleaned from French government records whether this pessimism as to deteriorating results has some justifications. Again figures relating to French business are used since controls do supply some more precise information than is obtainable normally from balance sheets. A word of warning, however: Statistics, to show a true and correct picture, should bring into account the run off of each year's operations, and normally figures obtained from official quarters do not supply these particulars. Two factors may altogether alter the ultimate result of any one year's underwriting—belated premiums and excessive or insufficient loss reserves.

Totals for 1954 according to official records applying to French companies apparently confirm the worsening of results on recent experience. Figures are supplied separately for two groups of French companies. The total gross premiums, all sections except life, for the two groups is Fr. 248,839 million, or roughly $622 million, of which about 43% went to the group of 18 government-owned companies and 57% to the other 79 private stock companies. This represents an all around increase of about 10% over 1953; 1953 had shown an increase of 13% over 1952, which had increased 22% over 1951. In 1953, 44.5% of the $539 million premium income went to government-owned companies and the balance to private French companies.

The group of 79 private companies

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had a claims record of 61%, including reserves for outstanding claims, against 58% in 1953. In 1953 reinsurance cost them 6.65% of their premium income, while in 1954 it cost only 4.55%; 41 companies of this group of 79 had a credit balance against their reinsurers in 1954. (This I suppose means that the reinsurers sustained a loss on the treaties of 41 companies out of 79.)

In 1954 there was an over-all technical loss of 1.5% on the earned premium income, while in 1953 it was only .18%. In 1954 the volume of premiums ceded by way of reinsurance was 36% of the total, whereas in 1953 it was only 35%. In the group of 18 government-owned companies the claims record in 1954, including reserves, was about 61%, whereas in 1953 it was only 58.5%. Reinsurance cost in 1954 only .37% whereas in 1953 reinsurance cost them 1.55%. Nine companies out of 18 had a credit balance against their reinsurers in 1954. In 1954 there was a technical loss of .17 per mille whereas in 1953 there was a profit of nearly 2%.

In 1954 25.5% of premium income was ceded by way of reinsurance while in 1953 it was 25.8%.

French insured are entitled in accordance with the law to share in the profits. Thus in 1954 14 companies of the group of 79 paid a profit commission to insured of .75 per mille of the premium income while in 1953 it was .8 per mille. The government owned companies returned to their insured 3 per mille in 1954 and 1.7 per mille in 1953.

Total premium income of all companies operating in France was about $759 million, of which about 7% went to foreign companies operating there and 10% to mutuals. Total fire premiums, included in the foregoing figures, were $12.7 million, with a claims paid ratio of 30.2, against 27.3 in 1953. Motor car business (mainly third party liability) recorded a premium income of $20.15 million with a paid claims record of 49.4%, against 44% in 1953. Marine business had a premium income of $4.9 million with a paid claims record of 51%, against 57.9% in 1953. Bringing technical reserves up to date at the end of 1954 required a further levy on the fire premium of about 3.5%, on motor car premium 30% and on marine premium 8%.

Reinsurance business accepted by French companies amounted to $117 million, of which government-owned companies had about 50%. French business ceded to foreign companies was only 6% compared with business ceded to French companies. Premiums ceded by French companies amounted to $179 million, with a claims record of about 48%.

These figures apply to 1954. For 1955, 26 companies (leaving out those with a premium income of less than one billion French francs) had total gross premiums of $283 million, or almost 45% of the total. Premiums ceded to reinsurers worked out to about 26% of the total income, and claims, including adjustment of reserves, reached about 70%. It should not be concluded therefrom that all French business will show such an adverse result. The question is open as to how reserves for outstanding claims may ultimately exceed actual settlements.

French companies make great efforts to develop their foreign reinsurance relations, but how far they are successful cannot easily be ascertained. Reinsurers of French nationality do not come within the control regulations. Therefore it is not possi-

ble to compare their operations with those of the British companies.

Reinsurance transacted by European companies is world wide and total results obtained in any particular country would almost have the same pattern in all others. Much stress is being put in all quarters on adverse results on motor third party risks which in many European countries will not only be controlled in the near future but also compulsory. This entails enlarged government intervention with minimum rates of premium. My own motor car premium should be increased by about 30% as a result of compulsory insurance, and many others will find themselves in the same boat.

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When rates of premium are fixed, and it may be reached under pressure from reinsurers, all facts should be considered, and they should be based on the run off of the four or five last years preceding the two last. Failing this, rates may be unduly increased, because it is not so certain that when everything is said and done there is a technical over-all loss on motor car insurance. As technical results deteriorate, profits on investments become much more prominent, and with th ir help companies are able to weather many storms. This is even more evident in reinsurance accounts.

However, insurers and reinsurers, if unhampered by restrictions, will always be able to work out their own salvation.

Companies belonging to countries where reinsurance is submitted to control will, if they wish to exchange profitable business for other profitable business from outside their country, be restricted to companies willing to comply with control regulations. Geographical scope will thereby be curtailed. Two Belgian companies entered into reinsurance agreements with U.S. companies. But in both cases regulations were broken off because reciprocity received was inadequate.

Direct Insurer Conditions in Germany

(These comments on the operation of primary insurers in Western Germany were furnished by the head office of Munich Re and continue the comments begun last week in the Reinsurance Review.)

Insurance in Western Germany participated in the favorable economic development which our country has experienced since 1948. World War II seriously affected the economy as a whole and insurance in particular. It was not until 1948 that a new basis for reconstruction was created in consequence of the currency reform and the introduction of the deutsche mark. (As of Dec. 15 the rate of exchange was approximately 4.2 DM to $1.) This opportunity was utilized to the full by all branches of economy. Thus it was possible to reach full employment in 1955, and this has continued.

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Since all economic improvements make insurance necessary or at least advisable, it is no wonder that in the last few years insurance has followed the favorable upward trend of economy in Western Germany. Within the short limits of this article it is not possible to give many details; it will be best to show the extent of developments by giving the annual total sums of the premiums in all insurance classes:

The total premium income of all insurers of Wrstern Germany amounted in 1949 to less than 2 billion deutsche marks; by 1954 it had increased to 4.04 billion DM and in 1955 reached 4.6 billion DM. In 1956, for which we have naturally not yet any definite figures, a further considerable increase of the premium income is anticipated. Even if estimated cautiously, the total premium of all insurance companies in 1956 will reach 5 billion DM or more. (Life insurance, as of Dec. 31, 1955, consisted of 33.5 million policies for insurance in force of about 32.4 billion DM and annual premiums of about 1.5 billion DM, with 91 life companies operating in Western Germany.)

Motor insurance, motor third party, motor hull, and passenger cover achieved a premium of nearly 1 billion DM in 1955; compared to the previous year, this is an increase of about 20%. Progress in motorization has continued and increased. It will probably result in a considerable increase of the total premium income in 1956. The experience of this insurance branch was and is not satisfactory; the reason is that road building programs have not been able to keep pace with motor traffic, which has increased so suddenly and rapidly in recent years. In order to improve the discipline of motor drivers a system of bonuses has been introduced for no-claim policies, according to which 5% to about 30% of the annual premium is returned to every motorist who has made no claim for a period of one to three years.

The interests of the victims of traffic accidents are protected in our country by a law of 1940, which makes third party insurance obligatory for all car owners.

In 1955 total general insurance was

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able to achieve an increase in premiums of about 10% and a total premium income of 755 million DM. This sum in million DM is apportioned as follows: 466 fire and loss of profits, 86 burglary and theft, 64 machinery, 45 hail, 34 livestock, 24 water damage, 19 glass, and 15 windstorm. The increase in machinery insurance, 18.8%, is the largest. This is mainly due to the fact that machines in industrial plants have been enlarged and modernized.

In all branches of general insurance the results of the last few years were quite satisfactory, although 1955 showed considerably more losses, particularly in fire. The same holds good for 1956. The reason for this noticeable increase in fire losses is partly the severe cold of last winter. Also, it has been confirmed by experience that over-employment in industry produces an increase in the loss ratio. In order to improve protection in fire, replacement insurance was introduced for households, workshops, offices, hotels, hospitals and similar institutions. In this insurance the indemnity is not based as hitherto upon the actual cash value of the insured object when the loss occurs but on the replacement cost of similar new goods. This affords a considerable improvement in protection.

Private health insurance is limited to representatives of the liberal professions and to employes with high wages. It has been able to achieve a premium income of about 719 million DM for about 10 million insured persons, the relevant indemnities being 586 million, or 81.5%. Thus expenses, which here range between 17% and 21% of the premiums, could not always be entirely covered. Better results probably can be anticipated for 1956.

The premium income in marine insurance was more than 255 million DM in 1955, an increase of 16% for the year. The business was done by 49 German companies and 100 foreign insurers operating in Germany.

Cargo business, which represents two-thirds of the premium income, has not been uniform and suffers partly from inadequate premiums. Hull business, responsible for one-third of the premium income, mainly concerns sea and river shipping in Germany. There are scarcely any foreign risks in the portfolios of German marine insurers or of foreign marine insurers operating in Germany.

All German insurers have been for years uneasy about the course of general third party liability insurance. In spite of endeavors to improve the proportion between premiums and claims, this type of insurance continues to be a source of considerable loss. Claim frequency and the average cost of each claim are constantly increasing, one of course being the steadily rising living standard of our population. Some of the many attempts to put this branch on a sounder basis by reforming rates and by other measures have been successful.

The premium income of accident (liability) insurance in 1955 amounted to 128 million DM, a satisfactory result, although experience is deteriorating in consequence of the rise in accidents as a result of the rapid progress in motorization. This development will make it necessary to revise and amend tariffs.

The smaller insurance branches such as credit insurance and aviation insurance have developed most favorably in the last few years.

The economic boom in Western Germany has had a favorable influence on insurance as a whole. On the other hand, insurance has contributed to the construction of our economy not only by providing the insurance required but also by supplying investment credits. Since 1948 German insurers have placed more than 8 billion DM in capital investments, partly as long-term credits to industry and partly as mortgage loans for housing.

A most topical problem in which almost all branches of insurance are concerned either directly or indirectly, is atomic energy. In consequence of the increasing use of radioactive materials by industry and science and also because of the contemplated erection of several nuclear reactors in our country, insurers have for some time been compelled to study the relevant problems and to find a solution. After checking details thoroughly, all German insurers have declared themselves ready in principle to insure risks connected with the utilization of nuclear energy for peaceful purposes, it being understood that such insurance will be within the limits of capacity of each insurer and bearing in mind the particularities of the individual classes of insurance.

Fire and Casualty Insurance

COMMENTS - TRENDS - OBSERVATIONS

Sees Federal Probe If States Don't Remedy Regulation Defects

"Unless obvious defects in state regulation are remedied quickly, a full-scale federal investigation can be expected," Nester R. Roos, assistant professor business, University of Arizona, warned in a paper read before the annual meeting of the American Assn. of University Teachers of Insurance in Cleveland.

Among "defects" in state legislation listed by Mr. Roos were underpaid commissioners, inadequate insurance department budgets, and diversion of premium taxes and license fees, "originally intended for the support of insurance regulation," to general uses. On the average, only 4.3% of such state taxes and fees go into departmental budgets, he reported. His figures were based on a survey in which 46 state departments participated.

"In addition to the defects in state regulation listed," he stated, "is the attitude of many congressmen as reported to me by someone close to legislators: 'They can't see a business with hundreds of billions of assets existing outside federal regulation.' "

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Taking up the FTC citations of A&S companies, Mr. Roos' paper, "Recent Federal Activity in Insurance Regulation," expressed the opinion that the crux of the matter is not whether the advertising cited was actually misleading, but the interpretation of Public Law 15, the McCarran Act, which declares that the federal government shall regulate insurance only where the states are not doing so or are doing an inadequate job.

However, Mr. Roos took issue with the public statement of Commissioner Pansing of Nebraska that inasmuch as the wording of PL 15, which has been interpreted by FTC as giving that commission jurisdiction over A&S advertising, is the same as that on which rating bureaus depend, a court upholding of FTC's interpretation would make joint rating impossible. Mr. Roos expressed the opinion that inasmuch as the Supreme Court has held that states can effect combinations that individuals cannot, a decision adverse to the rating bureau principle could be surmounted by establishment of state rating bureaus which would be, in fact, "dummies" acting on the statistics of existing rating bureaus.

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Mr. Roos evoked laughter from his audience by pointing out that FTC member Gwynn was a member of the House when PL 15 was passed and had a heavy hand in the wording of the law, while his fellow commission member, Mr. Kearne, worked on the original FTC citations and wrote the majority opinion interpreting the law Mr. Gwynn wrote.

In private conversation after delivering his paper, Mr. Roos reported that many figures in the business and state regulation of whom he had asked the question, "Do you believe federal regulation would be better than state?" had replied, "Federal regulation has its merits, but I'll deny it if you quote me publicly."

Aetna Casualty Films Betty Skelton, Winter Safety Test Driver

"Don't Skid Yourself," a 13-minute film produced by Aetna Casualty to demonstrate safe driving, has been presented to Hartford high school students enrolled in driver education courses.

The film, which won an award from National Committee on Films for Safety, shows the annual skid tests conducted by National Safety Council and illustrates safety techniques to be used in driving on snow or ice. The driver in the film is the world's only woman test driver, Miss Betty Skelton, who shows how to steer in the direction of a skid, while pumping the brakes to a slow halt.

Research is documented regarding safe speeds for turning on ice, and regarding distance required for safe stopping on ice and snow with different types of tire chains and winterized tires. Frosted highways are more treacherous, it was explained, when the temperature is around 32 degrees than when near zero.

"Don't Skid Yourself" may be obtained for group showings on a free loan basis from the public education department of Aetna Casualty at Hartford, or through any local Aetna representative.

Doremus & Co. Gets London Group Account

London group has appointed Doremus & Co. of New York to handle advertising and public relations in the U.S.

Ralph W. Bugli will supervise the account.

London Assurance, parent company of the group, appointed its first representative in the U.S. in 1872. Following the San Francisco earthquake and fire of 1906, the company paid more than $8 million in losses, the largest total paid by any individual company. Kenneth J. Bidwell is U.S. manager and president of the group, which has more than 4,000 agents in this country.

American Surety Hosts Insurance Press in N. Y.

A. F. Lafrentz, chairman of American Surety was host at the traditional company-sponsored insurance press luncheon at the Bankers club in New York.

Officers of the company attending were W. E. McKell, president, Charles H. Hall, first vice-president, A. H. Russell, vice-president and secretary, and A. H. Hunt Jr., Howard P. Dunham, R. E. Brown, and W. H. Riley, vice-presidents. Representatives from eight insurance publications were guests.

Sherwood Discusses Blast Guide Book

Donald B. Sherwood, assistant general manager of National Board, told Recovery Men's Forum at a meeting in New York the reasons and events that led to the preparation and publishing of "For Adjuster—Blasting Claims", the board's new guide for adjusting blasting claims, issued recently in conjunction with the Assn. of Casualty & Surety Companies.

Mr. Sherwood said that two years ago a blasting situation developed that ultimately resulted in a meeting of leading vibration engineers representing the board and the industry which determined the areas of agreement and disagreement, and set the stage for subsequent meetings of representatives of industry, explosives manufacturers, vibration experts, contractors, and Bureau of Mine officials. Committees were formed by industry, property insurance companies, and casualty companies which, cooperating with mutual representatives and vibration engineers, formulated the new guide. Thirty thousand copies have been printed, Mr. Sherwood said. Industry is expected to use some 20,000, and the casualty association and board, with mutual companies, are making every effort to place copies in the hands of every adjuster in the U. S.

Optimistic on Bus and Truck Covers

Net premiums written in 1956 by American Fidelity & Casualty and American Fidelity Fire are expected to top the 1955 volume of $37,400,000, according to T. Coleman Andrews, chairman and president. The outlook is good for an even greater volume of business in 1957.

Long-haul trucks are expected to set new tonnage records next year, and automobile sales are expected to exceed the 1956 volume, he noted. He said the company's safety engineering affiliate, Markel Service, is continuing to be successful in keeping accidents among insured trucks and buses at a low level. The accident rate per 100,000 miles for insured vehicles is about half the national rate for trucks and buses generally, he said.

Liability Changes Are Approved for N.C.

Liability rate and rule revisions proposed by National Bureau have been approved as filed by Commissioner Gold of North Carolina. The rate revisions mean a decrease of 16.4% for M&C bodily injury, an increase of 18.5% for OL&T bodily injury, a decrease of 3.3% for M&C property damage, and a decrease of 33.3% for OL&T miscellaneous classes.

Looking over checks totaling $1 million paid American Surety by the Treasury Department are, l. to r.: Vice-president C. C. Maher of the claims department, President William E. McKell, F. N. Beckwith of the salvage division, and A. E. Gale, manager of the salvage department. The checks, received shortly before Christmas, represented reimbursement of American Surety and 17 participating co-sureties for the loss paid by them to Chase Manhattan Bank shortly after a Treasury note for $1 million was discovered missing last March.

The note was never found, although an intensive search was made by American Surety, the bank, and the FBI. The note matured almost immediately after disappearance, and Chase Manhattan received its equivalent of the proceeds from the surety companies.

The sureties then complied with treasury requirements for the government's protection in the event the note should turn up.

American Surety was the controlling company. Prior to distribution to the other interested companies the reimbursement checks were delivered to Mr. McKell.

FIELD

National Fire Names Two in Mich. Field

Clarence E. Grundish Jr. has been appointed state agent and Harry A. Rife Jr. special agent for National of Hartford group in eastern Michigan.

Mr. Grundish joined National in 1953 as marine supervisor in eastern Michigan. He was transferred to the western department in 1956 as assistant superintendent of the inland marine department.

Mr. Rife joins National from Michigan Inspection Bureau.

Mr. Grundish and Mr. Rife will have headquarters in the group's Detroit office associated with C. E. Warrell, Wayne county superintendent, and Special Agent E. F. Campion.

Snyder Retires as North British Field Man in Wisconsin

John E. Snyder has retired as state agent for North British in southern Wisconsin after 37 years with the company. He will be succeeded there by V. G. Lofgren, state agent, and R. F. Nelson, special agent.

Mr. Snyder started with the company as a special agent in the former central department. He became state agent in southern Wisconsin in 1935. Both Mr. Lofgren and Mr. Nelson were with Wisconsin Rating Bureau before joining the company.

Three State Agents Named in Pa. by Royal-Liverpool

Royal-Liverpool group has named Robert F. Lenihan, Hugh T. Lewis and David G. Sayles state agents in Pennsylvania.

Mr. Lenihan, who will be in charge of the Allentown office, joined the group in 1941, and has been state agent in the Williamsport territory.

Mr. Lewis, formerly special agent at Woodbury, N. J., will be in charge of the Williamsport office.

Mr. Sayles will be state agent in Pennsylvania with offices in Pittsburgh. He has been special agent for the group in Harrisburg.

Alamo Field Club Names J .T. Dickehut President

Alamo Field Club has elected John T. Dickehut, American, president; Wesley Cooper, Superior, vice-president, and J. S. Cunningham, American General, secretary-treasurer. R. H. Bryson, Royal-Liverpool group was named to the executive committee.

Atlanta Group Elects

Insurance Library Assn. of Atlanta has elected Clarence M. Stovall, personnel manager of Fireman's Fund group, president, succeeding D. Lee Wicker of Hurt & Quin general agency. Other officers are T. E. Hollingsworth, state agent of Royal-Globe, and J. Alexander Bartlett, manager of U.S.-F.&G., vice-presidents, and George S. Hunter, assistant manager of Hartford Fire group, secretary-treasurer.

White Forms N.Y.C. Agency

David C. White, manager of the New York branch of Caledonian-Netherlands group since 1944, has formed the David C. White agency to operate in New York metropolitan and suburban, as well as country and worldwide. Peerless has taken over the U. S. business of Caledonian.

The new agency will represent Caledonian-American, now owned by Peerless, Bankers & Shippers, Fire Association, London Assurance, Manhattan F.M., Netherlands, and New York Fire. Key personnel in the branch will be retained by the agency, which will occupy the same quarters at 55 John street.

Laxton Named Special Agent by Camden Fire

S. Arthur Laxton has been appointed special agent for Camden Fire in Maine and New Hampshire, with offices in Portland. Previously, Mr. Laxton was in the company's Boston office and the home office.

Gulluck With Buffalo

C. Lee Gulluck Jr. has been appointed multiple line state agent by Buffalo in North Carolina, South Carolina and Virginia. He will have headquarters in Greenville, S. C.

Stringfellow to Be NAMIA Assistant

William A. Stringfellow, for three years executive secretary of the North Carolina association, is joining National Assn. of Mutual Insurance Agents as executive secretary. He will assist Philip L. Baldwin, who has headed the NAMIA staff for 17 years. Mr. Baldwin becomes general manager.

Mr. Stringfellow practiced law for 10 years before entering insurance, in which he has served for 13 years. He became the first full time executive secretary of the North Carolina Association in 1953. He will move from Raleigh to Washington.

Frank E. Wilhoit, assistant to Mr. Baldwin for three years, has resigned to enter life insurance personal production.

Mutuals Cut Wis. Rates for Garages, Commercial Cars

Mutual Insurance Rating Bureau has revised automobile liability rates for commercial automobiles and division 1 garage risks in Wisconsin, effective Jan. 2. The result for commercial vehicles is a reduction of 17 percent. For class 5ca, which includes vehicles operated by retail stores, utilities, movers, cleaners, etc., rates are reduced $14 for Milwaukee, $22 for Superior territory, $18 for Kenosha and Racine and $7 to $18 in other territories.

The garage revision produces a decrease of 7 percent.

Estimate $300,000 Loss in Ill. Theatre Fire

A fire which gutted a theater in Elgin, Ill. early this week caused an estimated $300,000 loss.

The Rialto theater was insured for $340,000. Publix Great States Theaters Co., which leased it from Elgin Opera House Co. on a long-term basis, had the building insured on a theater form. There was no business interruption coverage.

The fire, which injured two firemen, occured just before the theater was to open.

S. F. Claim Managers Elect

E. N. Braag, American Automobile, is the newly elected president of San Francisco Claims Managers Council. Other new officers are Ellsworth Meteer, Liberty Mutual, vice president and Lloyd W. Platt, Standard Accident, secretary-treasurer.

Suggests Higher Rate for N. Y. Assigned Risks

(CONTINUED FROM PAGE 1)

er the compensation they receive from assigned risk business is too low. Also, the plan does not in any appreciable measure keep undesirable risks off the highways so long as they have driver licenses. However, the report goes on, the plan fulfills the important function of providing a means of obtaining insurance for a great many persons who might not be able to obtain it otherwise.

"It is thus serving to provide public protection for the payment of accident claims where the liability of the motorist is involved, and in a manner and method found up to now to be generally agreeable to most all concerned, as a private undertaking with government supervision and cooperation," the report points out.

Considering the rapid growth of the plan, the progress made in the time of processing the applications is very good, the report continues. However, there are still some occasional complaints about delays. Some delays have been due to misstatements and omissions by producers acting for applicants in completing applications. Some producers have been negligent in ascertaining the facts concerning the applicant's background, driving, accident and related records, needed to respond properly to the questions set forth in the applications. With the producer's increase in experience with assigned risks, these delays are being reduced and at present are not too numerous when compared to the volume of business written through the plan.

There are also some delays by companies in issuing policies, and the examiner suggests that insurers transmit to the plan the date each policy was issued so that a check can be made to ascertain compliance to the prescribed time, which is two working days from the time of receipt of assignment.

The loss ratio produced by assigned risks are consistently excessively high, and Mr. Rothbart suggests that an analysis and reevaluation of the plan be made so that proper steps can be taken to alleviate the situation, and to apply such remedies in proportion to the degree each class contributes to the high loss ratios. He also suggests that experience be reported separately for private passenger and commercial cars. In this connection it is noted that the ceiling on the surcharge has been increased from 25 to 35% in the latest revision of the rules of the plan.

The report states that risks are assigned in proportion to the premium writings of each company. Conceivably a company may get mostly risks that produce severe loss ratios, and vice versa. There should be some means of equalizing distribution losswise. Perhaps it would be more equitable to pool the losses in proportion to premium writings, he suggests. This, the report admits, may entail complications and situations abhorrent to insurers. Any such idea would re quire thorough discussion and analysis in any event.

Consideration should be given, the report states, to solving the situation in which a motorist has a driver's license but is not eligible for insurance under the plan. With compulsory, it is imperative that proper provision be made to cover all motorists with a driver's license who aren't able to obtain coverage through normal channels.

The preferred risk rating plan excludes from its provisions risks assigned under the New York AR plan. This rule should be clarified to indicate that the exclusion applies only to those risks subject to a surcharge under the plan.

A standard procedure should be established on assigned risks relative to insurers having a dividend plan and insurers writing at a deviation from manual rates.

The plan also should be amended to indicate that excess limits will not be denied to clean risks through the plan, and that such risks will be treated as normal business, the report recommends.

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Mr. Rothbart calls attention to the fact that of 109,470 new applications processed in 1955 only 23,358, or about 21%, were required to file evidence of financial responsibility at the time of applying for coverage. The figures in other years were: 1941-43, 43%; 1944, 62%; 1945, 56%; 1946, 61%; 1947, 67%; 1948, 35%; 1949, 34%; 1950, 43%; 1951, 26%; 1952, 21%; 1953, 21%; 1954, 25%.

Mr. Rothbart also notes that of all policies issued since conception of the plan about 35% were not renewed by insured up to and including 1954, and 48% up to and including 1955. For other years these were: 1955, 59%; 1954, 18%; 1953, 46%; 1952, 44%; 1951, 51%; 1950, 45%; 1949, 49%; 1948, 33%; 1947, 21%; 1946, 26%; 1945, 27%; 1944, 17%; 1941-43 20%.

Apparently most of those not taking renewals were able to obtain insurance through normal channels, according to the report. There are rather sharp fluctuations in renewals accepted by insured, which might indicate the insurance market at that time.

On regular business the producer keeps commissions on written premiums, on assigned risks he retains commissions only on the earned portion of the premium. He is paid from 5 to 10% commission, which is lower than on other automobile business. However, the report points out that many brokers follow the practice of making a nominal charge for assisting in making out insured's application. Thus the producer on the assigned risk receives a commission for his services even though the risk is assigned to a direct writing company.

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Insurers that write automobile business at a discount or pay a dividend may be in the position of rewarding insured with a bad accident record who is in the assigned risk plan. The report states that this situation has been reduced to a minimum in New York because most independent and deviation filers have made additional filings with the department under which assigned risks are written at manual rate filed by National Bureau and Mutual Bureau. Insurers also have filed separate dividend classifications so that assigned risks are excluded from dividend payments. The report recommends a standard procedure to prevent possible discrimination.

Experience under the AR plan is quite bad, the report notes. All automobile liability insurance showed a loss ratio in 1950 of 55%, in 1951 it was 54, in 1952 it was 47, and in 1953 it was 45. Comparable ratios under AR were 92% for 1950 and more than 100% in each of the other three years, including surcharges.

When the volume of premiums on assigned risks was small or moderate,

the loss ratio did not present too serious a situation, Mr. Rothbart points out. But since 1947 the volume has increased tremendously each year and now has reached a total important enough for action, in view of the severe loss ratios. The volume of AR premiums now represents approximately 5% of total automobile premiums. (This is well before the beginning of compulsory.) Hence, the report's recommendation for a reevaluation of the entire AR rate structure. Necessary adjustments should be initiated, and they should be based on a thorough analysis of experience with respect to private passenger and commercial vehicles separately, risks with accident records when assigned, risks without accident records when assigned, and youthful drivers.

In 1950 and 1951 National Bureau erected certain new codes to tabulate the experience on assigned risks by surcharge categories. The pattern of the figures produced by this study showed only that the surcharges fell far short of producing anything close to a decent loss ratio, and that, on this evidence at least, the surcharges do not in any respect level out the experience since the ratios move both up and down as the surcharges rise. For example, at the no surcharge level the loss ratio is 124, at the 15% level 105, at the 25% level 89, etc.

Earned premiums on assigned risks had climbed in 1953 to $14,557,786, compared with $8,063,073 in the preceding year and to $2,863,260 in 1951.

Transnational of Los Angeles has received its certificate to write fire and automobile business in California and **Reliable** of Dayton has been licensed to write multiple lines in the state.

Green Succeeds Goeller at N. Y. for London & Lancashire

Joseph T. Goeller, secretary of London & Lancashire in charge of the New York office, has retired after 54 years with the company. He will be succeeded by H. K. Green. Mr. Goeller started with the company in 1902 as a junior clerk in the fire department. He was named New York secretary in 1929. He was vice-president of Safeguard and London & Lancashire Indemnity and was former chairman of New York Fire Patrol.

Mr. Green also has been vice-president of Safeguard and London & Lancashire Indemnity. He will serve in a similar capacity for the new Safeguard, the corporation resulting from the merger of the three domestic companies, and manager of the New York office of London & Lancashire and Law Union & Rock.

McTott to Aetna Fire Marine Post

William H. McTott has been named supervisor of the ocean marine department at the home office of Aetna Fire group. He joined the group in 1949 and has been a member of the ocean marine department since then.

Great American Promotes Aune in Farm and Hail

Great American has promoted A. O. Aune to assistant manager of the farm and hail departments to succeed M. R. Strong. Mr. Aune was formerly at San Francisco, and prior to that was special agent for the farm and hail departments for Illinois at Springfield.

The NATIONAL UNDERWRITER

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EDITORIAL COMMENT

Ingredients for a Successful Forum

One activity in the business which has grown and spread is the conduct of and participation in I Days, seminars, clinics, and the like. These have the purpose of informing the producers of changes and developments in the business. With the number and significance of such insurance changes and developments in recent years, the number and value of these forums have greatly increased. These auxiliaries to formal education, these variations of agency conventions, make real contributions to the working education of the practicing producer.

However, to some degree they have tended to grow up like Topsy. Some have turned out highly successful. Others have failed.

Since groups which sponsor educational meetings for producers already are beginning to plan spring programs, what can they do to be more certain of success? What can they avoid doing that will decrease the chances of failure? After all, producers spend $50 to $100 a piece and take a day or two away from production to attend. That is enough of an investment to make them judge closely the quality of what they get.

Obviously, the necessary physical and financial arrangements must be made. These may present some difficulties, but they are not complicated.

The factor which seems to have most to do with the success of a meeting is the selection of a subject matter. Probably the main reason why attendance at some I Days, clinics and the like is small, and the meetings fail, is the selection of a topic that is not timely or of wide interest.

These days, there is an unusually wide choice of such items. For some time, there has been a steady parade of important new forms and packages. Their full implications for the producer will not be fully explored for a long time. The prairie fire of compulsory is burning across the country. Several systems of insurance distribution have come into prominence, and that of the local independent agent, traditional since fire and casualty began in this country, needs reexamination, study, and possible strengthening. Agency management is a vital, wide open topic at any time. Agency ownership and continuity constitute a good subject almost anytime. Public relations, advertising and selling are topics that need a great deal of exploration in today's highly competitive circumstance, and most producers realize it.

Another frequent cause for agent disappointment with an I Day, or forum, is the allotment of too little time for group participation. Even the most competent and eloquent speaker is not appreciated unless he allows sufficient time for group discussion. In general, the most successful meetings are of the workshop, not of the lecture, type. But if the meeting is to be a workshop in reality, the moderator must maintain a tight time schedule, limit each panelist's presentation, and have enough time for a real audience discussion.

With the physical and financial arrangements made, and the subject and style of presentation agreed upon, the next step is to select a panel to lead the discussion. Most areas of the country have producers and company representatives qualified to lead discussions on the subject. However, for promotional purposes, out-of-town talent has considerably more drawing power than that recruited locally. Even with out-of-town talent, a local producer or company representative should be available to assist panel members on questions that have a strictly local bearing.

Once in a while, a forum will turn out badly because panel members begin to argue among themselves, often on minor points, and the audience is forgotten. This possibility can be avoided if, following the preparation of the program, panel members are requested to correspond with each other and interchange material. In this way, duplication and conflicts may be discovered and eliminated. Copies of the correspondence should go to the committee chairman for review and suggestion.

One way to emphasize the workshop character of the meeting is to select a tough moderator who is capable of maintaining a time schedule. This requires more force, mental alertness and the ability to extricate a situation before it deteriorates beyond rescue.

The final step is to sell the program to the business. Here, biographical material on the panelists should be included with the other essential information about the program. If the material is presented in an attractive folder for mailing purposes and dispatched to the potential audience in an orderly way, the results almost always are gratifying. Those with experience in these matters advise at least three mailings. The first should go out approximately two months ahead of the date, the second three weeks before, and the final one a week in advance.

Meetings of this kind have established themselves in the business and today are properly regarded as an important vehicle for the education and direction of producers and production effort. Since local agents are independent, they are also "uncontrolled." They constitute a captive audience for no one. Consequently, they have to assume responsibility for their own education, they must submit to it voluntarily, and through meetings of the forum or workshop kind, they set up and carry out their own educational process. The instrument is a good one, and it would be a shame to have it fall into disrepute because it is too often improperly employed.

PERSONALS

David W. Brown, whose father, Lloyd W. Brown is the vice-president in the western department of Loyalty group, is one of the principal authors and a performer in the Princeton Triangle Club show, "Take a Gander," which had its Chicago performance last Friday.

Mrs. Babette Kornblith, whose husband Howard C. Kornblith is vice-president of Eliel & Loeb agency of Chicago, will have exhibits of her paintings in Mexico City and Paris in 1957. Mrs. Kornblith's exhibit in Mexico City will be Jan. 29 through Feb. 17, and in Paris from Oct. 1 through 14.

Eugene C. Stevens, local agent of Southern Pines, N. C. was the recipient of the Kiwanis builder's cup, awarded him by Sandhills Kiwanis club. The cup is given for unselfish personal service, without hope of personal gain.

DEATHS

JOHN E. MURPHY, 67, head of the boiler and machinery department of Royal Indemnity until his retirement three years ago, died of drowning at Ft. Pierce, Fla. He joined Royal in 1919 as safety inspector in Chicago. Prior to that he had been with Aetna group, Massachusetts Bonding and New England Casualty.

RAYMOND S. WALSH, 54, senior partner of O'Rourke & Co. agency of Fort Wayne, died. He was a graduate of Illinois Tech and was with Michigan Inspection Bureau before going in the agency business in Detroit in 1935. He was with Crum & Forster in the Indiana field until joining O'Rourke & Co. Mr. Walsh was a CPCU.

EUGENE E. HUGHES, 81, local agent for 50 years at South Orange, N. J., until he retired three months ago, died of a heart ailment at New Smyrna Beach, Fla.

ROBERT VAN IDERSTINE, 58, long engaged in the reinsurance field, died at his home on Gibson Island, Md. A former mayor of Tenafly, N. J., at his death he was president of Trade Assn. Underwriters of Baltimore. He entered the business in 1918, was with the Holborn Agency Corp. of New York, 1922-46, and was with Leonhart & Co., Baltimore, 1949-51.

WILLIAM G. MATTOX, 56, officer of the Philadelphia agency of Wagner-Taylor, died there after a short illness.

WILLIAM B. WATKINS, 84, founder and president of the Cleveland agency that bears his name, died at University hospital. He moved to Cleveland in 1892 to join the old Commercial National Bank. In 1908 he started William B. Watkins, Inc., soon becoming a leader in auto insurance as a representative for Travelers.

CHARLES E. SWAN JR., assistant manager of the Brooklyn office of Home, died. He had been with Home since 1929. He was appointed assistant manager at Brooklyn in 1949.

JAMES A. DUFFY, 62, local agent in Great Falls, Mont., died.

Mutual Club of Columbus Names Syfert President

Mutual Insurance Club of Columbus will be headed during 1957 by R. K. Syfert, assistant actuary of Nationwide Mutual. J. S. Munsell, fire manager of Beacon Mutual Indemnity, is the new vice-president and R. C. Trautman, casualty underwriting manager of Grange Mutual Casualty, is secretary.

Cal. to Investigate Hopps' Connection With New Reciprocal

Stewart B. Hopps, whose activities over the years have brought him considerable notoriety and several major lawsuits, two of which are pending in California, is again in a "situation" with the California insurance department over an application for a certificate of authority to establish and operate a reciprocal.

The department on Dec. 17 held up the application of Union Underwriters Inc., proposed attorney-in-fact for Union Insurance Exchange of America, pending a hearing to be held Jan. 15, with Commissioner McConnell participating.

According to the story of the department, the president of Union Exchange is listed as Harold Burk, who has been associcated with Mr. Hopps in the past, and this is reported to be the reason for holding up the application, which had met all other financial requirements until, a hearing into the entire setup is explored. It is reported that it is proposed that the new exchange would reinsure all of its business with Alabama General of Montgomery, incorporated last year and which, according to the California department, recently borrowed $100,000 from "persons unknown" and which the department "believes" has been advanced to the proposed Union Underwriters. Commissioner McConnell wants to know if Union Underwriters is the real party at interest and not merely being used as a subterfuge for the Alabama company to operate through it in California.

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The California department also wants to know "that another person, persons or organization is not in fact an undisclosed real party in interest, and has financial gain and to the detriment of subscribers, creditors and the general public."

Mr. Hopps now has suits of $7,940,000 against him over the defunct Rhode Island, and for $2,809,701 filed against him in federal court in San Francisco by the receiver of Inland Empire of Salt Lake City.

Interviewed by the San Francisco *Examiner* last Friday, Mr. Hopps denied having any direct interest—financial or otherwise—in the formation of the exchange. Mr. Hopps said he gave some of his "expert advice" to the organizers in preparing the set-up of the exchange but that he was in no other way connected with it. Harold Burk, formerly associated with Mr. Hopps and president of the new organization, also said that Mr. Hopps had no direct connection.

Jack Piver of San Francisco, who is public relations manager for Stewart Hopps, quotes Mr. Hopps in a news release as saying:

"The California insurance department's charges are ridiculous. It is true that Burk formerly worked for a corporation in which I owned stock, but what of it? If I buy stock in the Fireman's Fund, would the department try to close up that company?"

F.&C. Gets NYC Bond

Brookfield Construction Co. of New York was awarded a $9,600,000 contract by New York City for construction of a portion of the Brooklyn-Queens connecting highway. The performance and payment bonds were furnished by Fidelity & Casualty. Co-sureties were Aetna Casualty, Hartford Accident, Maryland Casualty and American Surety. The producers were Smith & Wund of New York.

W. E. Krafft, Veteran Surety Expert, Retires

After 37 years of service with Continental Casualty, Walter E. Krafft, surety vice-president, retired under the compulsory retirement program Dec. 31. He will open his own brokerage office in the Insurance Exchange building, Chicago, specializing in surety bonds required by contractors, a field in which he is a recognized expert.


Walter E. Krafft

Mr. Krafft started his Continental Casualty career in 1919 when he answered a blind advertisement while still in his uniform as a lieutenant commander. His first job was secretary to the vice-president and general counsel, and three years later, when the company entered the surety business, he asked for a transfer to that department. In the next two years, Mr. Krafft learned the surety business so well he was named chief surety underwriter, and he was largely responsible for building up the department. He was elevated to vice-president in charge of surety operations in 1942.

Home Broadcasts Xmas Carol Program in N. Y.

Home broadcast its 19th Christmas carol program over loudspeakers throughout the New York insurance district to touch off the four-day holiday weekend.

About 65 men and women of the company's combined glee clubs sang to the accompaniment of the orchestra of the 59 Maiden Lane club, company employe organization. Following the carols, Kenneth E. Black, president, presented 55 charwomen, serving the head office, with Christmas baskets.

ALC, LIAA, HIAA File Briefs on FTC Jurisdiction

(CONTINUED FROM PAGE 1)

issued several years ago. In the case before the court, FTC claims jurisdiction over the interstate advertising of A&S insurers.

The HIAA brief emphasizes the same major issues as the brief filed by American Life Convention and Life Insurance Assn. of America.

Because some members of HIAA are not members of ALC or LIA or are not in the life insurance business, the HIAA members felt they should be represented by their own association rather than joining in the ALC-LIA brief.

The HIAA brief lays considerably more stress on the case of Prudential vs Benjamin than the ALC-LIA brief does. This was a case in which, according to the brief, "the Supreme Court construed the McCarran act as an expression of congressional consent to a state tax on insurance which, but for such consent, would have been unlawful as placing an undue burden on interstate commerce."

St. Louis School Board Decides for Self Cover

ST. LOUIS—St. Louis board of education by a 6 to 5 vote Dec. 27 rejected a plan for the placing of some $90 million in fire and EC insurance on its buildings with some 15 insurers. Apparently this brings to a close a drawn out debate as to what program should be adopted for the school insurance.

After rejecting the insurance plan, suggested by a special committee of Insurance Board of St. Louis, the board of education, meeting as a committee of the whole, decided to add to its own self-insurance fund, which now totals $325,000. The amount to be added annually to the self-insurance fund is yet to be determined. Nothing has been put into it for three years.

The proposal to buy $90 million of insurance at a premium of $75,000 a year was opposed by several board members who noted that damage to school properties by fires had been less than $25,000 a year and said it would be better to invest $75,000 in some type of interest-bearing securities. Those in favor of the plan pointed out that the present fund of $325,000 would not cover the cost of replacing any one of the 114 buildings in the school system in the event of a tornado or other catastrophe.

Atlantic Casualty Changes Names, Organizes Life Company Running Mate

Atlanta Casualty has changed its name to Motor Club of America Ins. Co. and has organized a new running mate, Motor Club of America Life which began business Jan. 1.

Late News Bulletins . . .

(CONTINUED FROM PAGE 1)

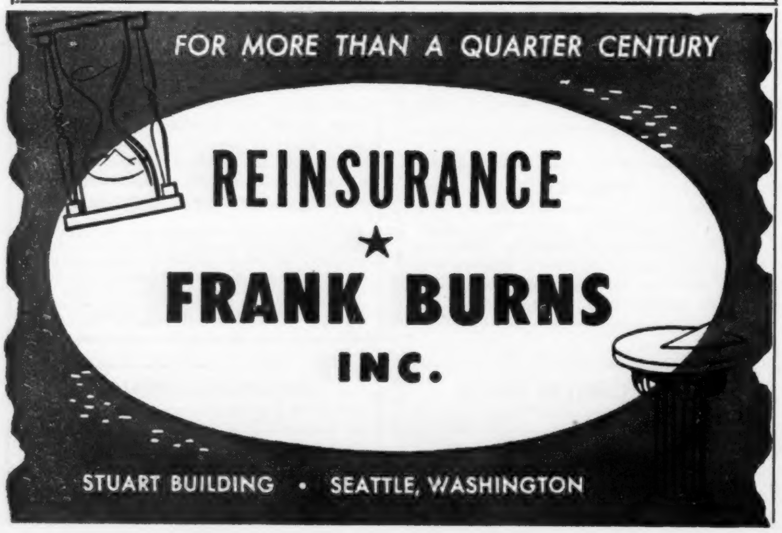
more larger fires. Property losses in the Malibu Beach area of California in December promise to be the largest single fire loss with the Brooklyn pier fire second, according to NFPA.

Merger of Glens Falls Unit Okayed

Merger of Commerce and Glens Falls Indemnity and liquidation of Glens Falls Corp. were accomplished at year end. The premium financing of Glens Falls Corp. is being taken over by the new Glenway Corp., a wholly owned subsidiary. Stockholders voted 86.7% in favor of the merger with no dissents. The exchange of stock was one for one. The merger increases capital of Glens Falls from $3,250,000 to $6,500,000.

Two Ohio Mutuals Merge

Two of Ohio's oldest mutual companies, Knox County Mutual, Mt. Vernon, and Richland Mutual, Mansfield, have merged to form Richland-Knox Mutual of Mansfield. Knox County Mutual was organized in 1838 and Richland Mutual was incorporated 12 years later. The company in ratio of assets to liabilities will be one of the strongest in business.



Three Members of Phoenix of London Group Are Merged

Columbia of New York, United Firemen's and Phoenix Assurance of New York of the Phoenix of London group were merged Dec. 31 into Phoenix Assurance of New York, which will show a consolidated statement surplus in excess of $20 million. Capital of Phoenix of New York has been increased from $3 million to $5 million.

J. R. Robinson, president, said the consolidation is being made to enlarge resources and to simplify operations. There will be no change in management or company policy. The companies comprising Phoenix of London group hereafter will be Phoenix of New York, London Guarantee and Union Marine & General.

Phoenix of New York (formerly Phoenix Indemnity) was organized in 1922 and became a multiple line insurer at the end of 1955, having merged with the U. S. branch of Phoenix of London.

Columbia was organized in 1901 as Columbia of New Jersey and changed to Columbia of New York in 1939.

United Firemen's was organized in 1860 as United Firemen's of Philadelphia and changed to United Firemen's in 1953.

In 1935, management of all companies in the Phoenix of London group was combined and operations in the home office and field were coordinated.

K. C. Reciprocal to Be Liquidated

JEFFERSON CITY—Circuit Judge Blair has ordered the liquidation of International Indemnity Exchange, a Kansas City reciprocal with some 12,000 policyholders, by Superintendent Leggett of Missouri. The company had been stopped from doing further business under an order issued by Judge Blair Dec. 15.

Orders signed by Judge Blair Dec 26 authorized Mr. Leggett to take charge of the assets and business of the exchange, and provided for the appointment of former Missouri Attorney General J. E. Taylor as attorney for him in the cases involving the exchange and American Mutual Casualty of Kansas City

International Underwriters Inc. of Kansas City has been attorney-in-fact for the exchange and has also had a managerial contract with American Mutual Casualty and was the principal stockholder of American Service Life of Kansas City.

Superintendent Leggett said a motion seeking dissolution of American Mutual Casualty would be filed with Cole county circuit court here within the next several days. American Mutual Casualty has been inactive for the past two years.

Judge Blair has also authorized Mr. Leggett to attempt the rehabilitation of American Service Life, and Mr. Leggett has indicated he believes there is a good chance to put the life company back on its feet financially, probably through reinsurance.

No one appeared for the insurance companies at the brief hearings before Judge Blair in his chambers.

In an injunction suit filed earlier in the month against International Indemnity Exchange, Mr. Leggett declared the department had reason to believe the reciprocal was insolvent. Policyholders are mostly Negroes living in the St. Louis and Kansas City areas.

W. Va. Agents Plan I-Day for Feb. 18

West Virginia Assn. of Insurance Agents will sponsor its second I-Day in Huntington Feb. 18.

STOCKS

By H. W. Cornelius, Bacon, Whipple & Co.
135 S. LaSalle St., Chicago, Jan. 2, 1957

	Bid	Asked
Aetna Casualty	121	123
Aetna Fire	60½	62
Aetna Life	169	172
Agricultural	28	29
American Equitable	31	32
American, (N.J.)	23¼	24¼
American Motorists	10½	11½
American Surety	17½	18½
Boston	32	33¼
Camden Fire	25¾	26¾
Continental Casualty	79½	81
Crum & Forster com.	57½	59
Federal	31¾	33
Fire Association	41¾	43
Fireman's Fund	50	52
Firemen's, (N.J.)	32¾	34
General Reinsurance	45	46½
Glens Falls	33	34½
Globe & Republic	17¼	18¼
Great American Fire	31¾	33
Hartford Fire	134	138
Hanover Fire	35½	36½
Home (N.Y.)	40	41
Ins. Co. of No. America	94	96
Maryland Casualty	30½	31½
Mass. Bonding	28¼	29¼
National Casualty	63	Bid
National Fire	86	90
National Union	36	37
New Amsterdam Cas.	40	41½
New Hampshire	34½	36
North River	31	32½
Ohio Casualty	23	25
Phoenix Conn.	68½	70
Prov. Wash.	18¼	19
St. Paul F. & M.	44½	46
Security, Conn.	29¾	30¾
Springfield F. & M.	44	45½
Standard Accident	46	48
Travelers	68	69
U.S.F. & G.	62	63½
U. S. Fire	24	25½

DEATHS

ROBERT S. PEIN, 65, founder and chairman of State Auto Mutual of Ohio, died at Mount Carmel hospital, Columbus. He was recovering from a foot amputation due to a diabetic condition. Mr. Pein was with Standard Oil in Indianapolis before the first war, and after service was with an automobile insurer. He started State Auto at Columbus on borrowed capital and in a rented room, and it has grown to one of the largest mutual companies in Ohio. He was active in a wide number of civic enterprises.

CLARENCE A. McCOY, 60, secretary of Nebraska Hardware Mutual, died at Lincoln.

DWIGHT P. SMITH, 68, retired vice-president of Lumbermens Mutual of Mansfield, O., died of a heart attack.

FAY W. CLEMENS, 58, local agent of Cedar Rapids, Ia., died of a heart attack.

LEWIS H. REID, 55, of Clinton L. Booth Co. local agency of Glendale, Cal., died.

JOSEPH SPERRER SR., 82, retired local St. Louis agent, died of leukemia.